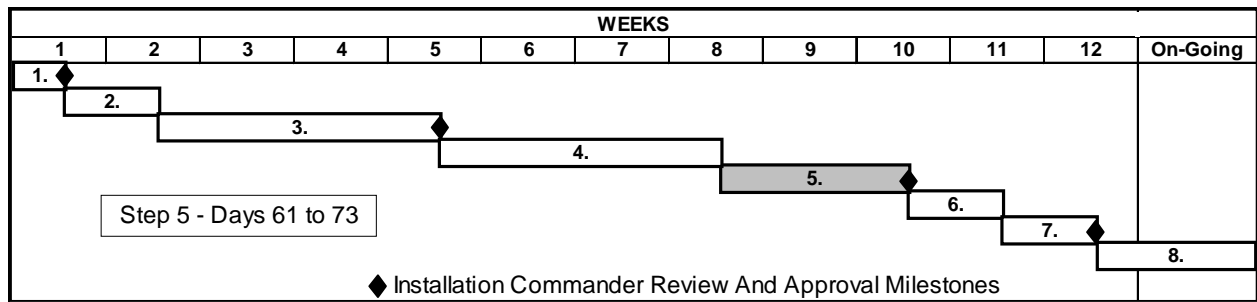


STEP 5: BENCHMARK PERFORMANCE



5.1 OVERVIEW

The purpose of Step 5 is to compare or benchmark performance of the “main event” sub-functions identified in Step 4 with “best in class” organizations or other commands. This performance comparison is to help identify the greatest targets of opportunity for performance improvement.

CO Tip: The benchmarking approach described herein for the business unit analysis process is an abbreviated or “jump start” approach rather than a comprehensive benchmarking study approach.

At the conclusion of Step 5, the business unit analysis team provides the installation commander a progress update for approval including focus areas recommended as targets for improvement.

5.2 BACKGROUND ON BENCHMARKING

A benchmark is a performance level recognized as the standard of excellence for a particular process. Benchmarking is the process of continually searching for the best methods and practices; adopting or adapting their good features; and implementing them to become the best of the best.

Some of the objectives associated with benchmarking include improving customer satisfaction, fostering breakthrough thinking and continuous improvements, accelerating organizational change, and getting more output from less input.

A literature search on how to conduct benchmarking yields various descriptions of a multi-stage process. The number of stages may vary by author, but the process generally includes planning, analysis, and action and requires that you:

- Understand your own process;
- Determine what needs to be improved;
- Identify who has the best practices;
- See how they perform;
- Adopt/adapt the best of what they do; and
- Measure results, communicate findings and gain acceptance.

CO Tip: Benchmarking normally focuses on the most critical processes to success. As a result, the business unit analysis team should concentrate benchmarking research on those “main event” areas with the predominant share of costs as identified in Step 4 of the business unit analysis process.

5.3 BUILD METRICS TO COMPARE WITH “BEST IN CLASS” ORGANIZATIONS

5.3.1 Key Metric Categories

In preparation for comparing performance with “best in class” activities and other commands, the business unit analysis team will most likely have several brainstorming sessions in which they will seek the most relevant performance measurements. For purposes of this study, metrics may be broken down into three major categories which are easy to recognize and comprehensive in identifying organizational performance. They are: *quality, timeliness, and cost per unit.*

CO Tip: Three key metric categories which are simple to recognize and equally comprehensive in identifying the performance of a function are quality, timeliness and cost per unit.

5.3.1.1 Quality Metrics

Quality metrics reflect many aspects of performance including meeting customers’ expectations for a product or service, responsiveness of the supplier to changing customer needs and desires, and others. Customer expectations, needs and desires change over time and are in turn dependent on many other variables such as changing life styles, changing environmental factors, and so forth. As a result, quality metrics may be difficult to define or the results from selected metrics difficult to understand.

For purposes of the business unit analysis process, the simplest metrics of quality may be customer satisfaction with products and services. Customer satisfaction can be measured by a customer service survey such as that shown earlier in Exhibit 7. Some examples of quality metrics include:

- Degree of meeting customer expectations for products and services;
- Number of customer service complaints;
- Number of times a report is re-written or another product re-worked to meet customer needs; or
- Percentage of motor pool vehicles that require repair within a certain time of having preventive maintenance performed.

5.3.1.2 Timeliness Metrics

Timeliness metrics usually relate to how well the organization performs in delivering the product or service to the customer when they need it, or how well the organization performs in meeting its delivery date commitments to the customer. Timeliness metrics can involve customer surveys, such as those shown in Exhibit 7, to measure customers’ perception of timely deliveries. Timeliness may also include other more direct measures of performance such as percent delivery of a certain product within a specified time. For purposes of the business unit analysis process, it may be necessary to use a combination of approaches. Some examples of timeliness metrics include:

- Customer perception of on-time delivery;
- Percentage of services delivered by due date, as job orders for facility repairs;
- Number of travel orders or travel pay reimbursements delivered by promised date; or
- On-time delivery of fully serviced weapon system components.

5.3.1.3 Cost Per Unit Metrics

Cost per unit generally refers to the total price required to provide a given level of service or product. Of course, the given level of service encompasses many variables such as quality, reliability, time to deliver the product or service, and others. Cost per unit can be measured in terms of cost to produce, from the suppliers' standpoint; cost to buy, from the customers' standpoint; or cost to own. For purposes of the business unit analysis process, total cost to provide a product or service will likely provide the best metrics for use. Some examples follow:

- Cost per child cared for in the Child Development Center;
- Cost per square foot to maintain facilities;
- Cost per hour to operate a bulldozer; or
- Cost per cubic yard to dredge a channel.

5.3.2 Select Key Metrics for Each Main Event Sub-Function

The BUA team should select two or three key metrics for each main event sub-function. In selecting metrics, it is easy to “over do” it under the theory that more is better. The objective is to select a small number of key metrics which yield a balanced view of the organization's performance. For example, having five or six metrics on “cost per unit” may completely miss the mark on judging timeliness of delivery or customer satisfaction.

As a starting point for the “Main Event” business units and functions, identify at least one quality, one timeliness, and one cost per

unit measure of performance with no more than three metrics per sub-function.

CO Tip: As a cautionary note, make sure that the cost of computing accurate metrics does not outweigh the benefits of the metrics.

5.3.3 Compute Current Performance

Once metrics are selected, the BUA team must compute current performance in order to benchmark with external organizations. In some cases, key performance measures and data collection to compute them may not be in use within the organization. If not, it will be necessary to implement a measurement process before being able to compare performance (benchmark) with external organizations.

CO Tip: Once performance measures are selected for each sub-function, appropriate data should be collected and the current performance should be computed for each measure.

5.4 COMPARISON WITH “BEST IN CLASS” ORGANIZATIONS

In addressing the question of “how does our performance compare with private industry or other commands”, the BUA team should look to comparisons with “best in class” organizations rather than comparisons with mediocre performance. These “best in class” organizations could be in the private sector or they may be within government. The initial challenge is finding them. Some possible sources include:

- Professional, academic, and trade associations;
- Reports -- annual/stockholder, unit inspection, etc.;

- Library information services / professional journals;
- Data bases/bulletin boards;
- American Productivity and Quality Center (www.apqc.org); and
- World Wide Web searches.

If organizations with best practices are located in the performance areas you wish to examine, collect data from them and determine gaps between local performance and theirs. Make sure local and “best in class” metrics contain the same elements (cost or other). Analyze causes for variations between local and “best in class” performance. This process allows the team to identify performance constraints or bottlenecks in specific sub-functions. The team can then drill down in appropriate processes to understand how to improve performance. In this manner, the team will identify “focus areas” which provide the greatest targets of opportunity for improvement in main event sub-functions.

5.5 SETTING PERFORMANCE GOALS

After comparing performance with “best in class” activities, performance goals should be set for each metric. Rather than establishing goals which represent minimum acceptable performance, goals should be set which represent desired outcomes. Goals may take the form of short-term and long-term goals. Short-term goals represent performance outcomes which would be acceptable based on current organizational capabilities; whereas, long-term goals could establish desired performance improvements over a longer period of time with process improvements or some change in organizational capability.

If external information is not available to assist in establishing a goal for a particular metric, historical performance records may help in establishing short and long-term performance improvement goals. However, care should be taken to avoid the trap of incorporating minimum acceptable performance into goal setting while optimal performance is sought.

CO Tip: Don't let the team get bogged down looking for external benchmarks if they're not readily identifiable. Instead focus on historic performance and customers needs to develop performance goals.

5.6 PREPARE BENCHMARKING SUMMARY REPORT

The worksheet in Exhibit 11 is provided to record results in each sub-function as the benchmarking process takes place. When the benchmarking process is complete, this worksheet for each sub-function can be consolidated with other sub-functions to summarize results within each function and core business. An overall benchmarking summary report can then be prepared. This report should be analyzed by the BUA team to determine the greatest targets of opportunity for improvement, or focus areas, for the installation.

5.7 PROVIDE PROGRESS UPDATE TO THE INSTALLATION COMMANDER

The BUA team should update the installation commander before moving to Step 6, formulating strategies for change. The update should include recommendations for approval of the focus areas identified during Step 5. This update should include:

- 1) A review of the material presented to the commander in the last update at the conclusion of Step 3 including:

- Base mission (from Step 2);
 - List of installation customers and the major products provided them (from Step 2);
 - LCBM chart showing core businesses, functions and sub-functions (from Steps 2 & 3);
 - Textual description of the core businesses, functions and sub-functions (from Step 3);
 - Highlights of customer satisfaction surveys, “good and bad” (from Step 3);
- 2) Results of sub-function, function and core business costs (from Step 4);
- 3) Results of benchmarking (from Step 5); and
- 4) Focus areas recommended as targets for improvement (from Step 5).

CO Tip: This update presentation provides an opportunity to give direction to the team as they begin to formulate strategies for change.

5.8 PRODUCTS OF THIS STEP

- Summary benchmarking report
- CO progress report/briefing

EXHIBIT 11: STEP 5 DATA COLLECTION WORKSHEET

Data Collection Worksheet				
<u>Step 5: Benchmark Performance</u>				
Core Business Area: _____				
Function: _____				
Sub-Function: _____				
Metric Category	Measure of Performance	Our Current Performance	Benchmark Performance	Target Performance
Quality	_____	_____	_____	_____
Timeliness	_____	_____	_____	_____
Cost/unit	_____	_____	_____	_____

THIS PAGE INTENTIONALLY LEFT BLANK